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**D. Queralt**, *Pawned States. State Building in the Era of International Finance*, Princeton University Press, Princeton NJ, 2022, pp. 301.

One of the undoubted merits of Didac Queralt's book is certainly that it convincingly elucidates how foreign loans, if not properly managed, can undermine the delicate process of capitalist nation-state building. The theoretical basis matches the empirical aspect so much so that it becomes a kind of comprehensive history of the processes of nation-state transformation over the long nineteenth century.

The progressive process of market opening and capital's pursuit of profits on a global scale allows European capital to flow to many countries of the world capitalist periphery and semi-periphery. The low cost of credit, compared to that available in domestic markets, leads these countries to avoid the political reforms that are essential for modern nation state-building. As the author does not fail to reiterate in no uncertain terms, foreign credit goes to replace taxes. The state's ability to increase tax revenues means striking a deal with the newly emerging capitalist forces in the country, which demand forms of power sharing in return.

War, in fact, becomes a key element in the process of nation-building. Modern capitalist states are able to sustain the rising military expenditures through the increased availability of resources from tax revenues. Despite this, the author reminds us that even these states, during the peak of the war effort, do not fail to resort to the instrument of borrowing.

However, the main difference between a capitalist developed and a capitalist developing state remains in the fact that the developed state is better able to guarantee the payment of loans due to the presence of a modern and widespread tax system as well as to the direct support exercised by economic elites. Rather, the elites who control credit have more confidence in a European state than in a non-European one, not only because of issues related to macroeconomic outlook, but also because of cultural and anthropological ones. Suffice it to recall how both in the case of Greece after the 1893 bankruptcy and in the case of

Portugal in 1890 (not to mention in the cases of Austria and Germany after the Great War by the League of Nations)<sup>1</sup> some political-cultural qualms had arisen in setting up receiverships following financial failures.

Thus, excessive external debt diminishes a peripheral state's capacity for domestic reforms. Yet, we must take this assumption as related to a deterministic process of economic evolution. The end result of such supposed reforms or transformations is the creation of a "modern" state with a "modern" fiscal system, that is, one shaped on the European-capitalist model. However, not all of these peripheral states had the manifest intention of adopting a "capitalistically modern" political, fiscal and institutional system.

As Queralt is quick to point out, the "Western" capitalists' greed on the one hand, as well as the inability of many semi-peripheral countries to administer loans sparingly, leads to the economic, and consequently political, foreign administration of many bankrupt countries. As much as state sovereignty was more recognized in the nineteenth century than in later centuries, capitalists gradually eroded the assumption that politics dominated over the market. The principle of safeguarding the accumulation process wins out over that of sovereignty. On the contrary, the various conditionality clauses that loan contracts bear on (even those signed with the International Monetary Fund), require the debtor country, on pain of receivership, to follow capitalist rules of credit management.

Queralt's book thus highlights how capitalists often found support from their nation states (more in France and Germany but less in Britain) to assert their economic interests. For example, following the unification of the Kingdom of Italy, some French bankers did not fail to exert pressure to directly manage the newly-born Italian state finances through a sort of international control. Although from 1848 to 1861 the Kingdom of Sardinia had borrowed heavily on the European markets (especially in Paris and London) to support a process of capitalist modernisation and to fight the wars of national unification (or conquest?), the new state was able to honour its debts through a forced fiscal pressure and some reforms imposed on the new territory. This action, however, did not produce social upheavals in the "capitalist" north. In the centre and south of the country instead – that is, in territories where a feudal system of production was still in force –, it caused profound social changes that led, among other things, to the bloody

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<sup>1</sup> M. Jamie, *The Meddlers Sovereignty, Empire, and the Birth of Global Economic Governance*, Harvard University Press, Cambridge MA, 2022.

period of banditry in the Italian Mezzogiorno. Only Piedmont's military action allowed the south of the country to undergo a capitalist social transformation, which in a short space of time brought with it a profound, but successful, revolution in administration, bureaucracy and taxation.

Which ruling class would endanger its own existence and social structure to meet the demands of foreign creditors? To adopt *tout court* certain political and economic reforms would in many cases mean putting an end to the power of a longest-ruling old class. Not every country is Japan or Italy.

We therefore believe that the author's thesis that recourse to foreign debt discourages the formation of a capitalist state is certainly true and is well-documented by the author. But not all national transformation projects, especially in the peripheries, had as their main goal a full-fledged capitalist transformation of their society. Improving tax administration to substitute borrowing or paying off debts means subverting or harshly changing the social pact between the forces of the centre and those of the periphery and, if there isn't an alternative system to implement, this would drive to the collapse of the territorial entity as such. Many of these peripheral countries were forced to undertake a harsh and abrupt capitalist transformation to meet the demands of their creditors. This action led in many cases to heavy bankruptcies and consequent loss of sovereignty and increased nationalist claims. Just look at what happened in the Ottoman Empire with Abdul Hamid II or in China at the turn of the century. There are many ways to build up a state, however foreign debt negotiated in capitalist states excludes these possibilities allowing for only capitalist state-building. Didac Queralt's book, however, remains a remarkable book to read for academics but also for those interested in the dynamics of capitalist state-building.

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